

BEFORE THE SOUTH CAROLINA PUBLIC SERVICE COMMISSION

DOCKET NO. 2014-346-WS

SETTLEMENT TESTIMONY OF JOHN F. GUASTELLA

PRESENTED BY THE APPLICANT,

DAUFUSKIE ISLAND UTILITY COMPANY, INC.

Q. Please state your name and business address.

A. John F. Guastella, 725 N. Highway A1A, Suite B103, Jupiter, Florida 33477.

Q. What is your occupation?

A. I am the president of Guastella Associates, LLC ("GA"). GA is the manager of Daufuskie Island Utility Company, Inc. ("DIUC").

Q. Did you submit direct and rebuttal testimony in the primary case?

A. Yes, I provided direct testimony, rebuttal testimony, and exhibits in the primary case. I also testified before the Commission at the hearing held on October 28, 2015.

Q. Did you submit direct and rebuttal testimony in the first rehearing following appeal of the Commission's Order 2015-846.

A. Yes, I provided direct testimony, rebuttal testimony, and exhibits in the first rehearing. I also testified before the Commission at the rehearing held on December 6 and 7, 2017.

1 **Q. Do you adopt all of your testimony and the exhibits in their entirety in the**
2 **primary case and the first rehearing as if repeated and submitted herewith?**

3 A. Yes.

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5 **Q. What is the purpose of this testimony?**

6 A. The purpose of this limited testimony is to briefly explain the terms that DIUC,
7 ORS, and the POAs have agreed to propose to the Commission for adoption as a
8 settlement of certain issues pending in this matter.

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10 **Q. Have those terms been reduced to writing?**

11 A. Yes. The terms of the agreement between DIUC, ORS, and the POAs are contained
12 in the Settlement Agreement filed in this docket.

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14 **Q. Please provide a general overview of the agreement among the parties.**

15 A. The terms of the parties' proposed settlement are contained in the Settlement
16 Agreement recently submitted to the Commission. The Settlement Agreement also
17 includes two exhibits. Exhibit 1, Settlement Rates and Revenues (Billing
18 Analysis), and Exhibit 2, Operating Statement (Water and Wastewater Combined).

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20 **Q. Can you briefly summarize the terms of the settlement?**

21 A. Yes.

22 **Rate Case Expenses:** In addition to the \$272,382 of rate case expenses
23 previously recommended for recovery by ORS, approved by the Commission in

1 Order No. 2018-68, and currently reflected in rates charged to customers, the
2 Parties agree to recovery of \$542,978 for Guastella Associates' rate case expenses
3 incurred by DIUC through September 30, 2017, and supplemental legal rate case
4 expenses of \$95,430, with both amounts to be amortized over a three (3) year
5 period. DIUC has also incurred additional rate case expenses, both Guastella
6 Associates' rate case expenses and legal rate case expenses, in conjunction with
7 this rate proceeding. DIUC will delay seeking recovery of these additional rate
8 case expenses until its next rate filing, and the Parties agree to reserve their
9 positions as to DIUC's recovery of these additional rate case expenses for
10 consideration in DIUC's next rate case.

11 **Rate Base / Utility Plant in Service:** DIUC's Application included
12 \$8,139,260 of reported used and useful facilities included in Utility Plant in Service.
13 Commission Orders 2015-846 and 2018-68 both reduced that amount by \$699,361.
14 Even if the parties were in agreement about including the \$699,361 in Utility Plant
15 In Service, that would result in rates that exceed the noticed revenue of \$2,267,722.
16 So, DIUC will delay seeking recovery of the corresponding \$699,361 until its next
17 rate filing, and the Parties agree to reserve their positions as to the \$699,361
18 reduction to Utility Plant in Service for consideration in DIUC's next rate case.

19 **Reparations:** DIUC asserts the temporary rates permitted by Order 2015-
20 846's rate increase of 43%, which was mitigated but not corrected by Order 2018-
21 68's further changes permitting a rate increase of 88.5%, were confiscatory. DIUC
22 seeks reparations to recoup through a surcharge its shortfall in revenues and return
23 with interest accumulating until the surcharge becomes effective, back to its

1 January 2018 billing for service provided for the last quarter of 2017, until its first
2 billing following a final decision on the recoupment issue. DIUC also seeks
3 reparations to recoup through a surcharge the credit/refund made in its January
4 2018 billing for the difference between the 88.5% increase and the 108.9% increase
5 that had been in effect during the first appeal with interest accumulating until the
6 surcharge becomes effective. ORS and the Intervenors disagree, so the settlement
7 contains a procedure whereby after the Commission's decision regarding the
8 proposed settlement agreement, the parties can brief the matter to the Commission
9 for its further determination in this case. The Parties agree that this proceeding,
10 Docket No. 2014-346-WS, will remain open until the issue of reparations is fully
11 adjudicated, including any appeals and final order(s) on remand, if necessary. The
12 Parties reserve their right to appeal the Commission's decision regarding this issue.

13 **The Public Interest:** In addition to these three issues, the parties'
14 Settlement Agreement includes an affirmation by ORS that the Settlement
15 Agreement reached among the Parties serves the public interest as defined in S.C.
16 Code Ann. § 58-4-10(B).

17 **Commission Approval:** The Parties agree that the Settlement
18 Agreement does not preclude each party from advancing its respective positions in
19 the event that the Commission does not approve the Settlement Agreement.

20 **Importance of Timing:** The Parties agree to cooperate in seeking
21 approval of the Settlement Agreement as soon as is practical, jointly requesting
22 expedited review and a decision of the Commission by Order prior to March 1,
23 2021, that provides DIUC may implement the 2021 Rates for services beginning

1 March 1, 2021, and DIUC may include the same in its April 1, 2021, quarterly
2 billing.

3

4 **Q. Is there anything else you would like to add regarding the Settlement**
5 **Agreement?**

6 A. Yes. I just want to add that DIUC appreciates the other parties' efforts and
7 cooperation in working together to negotiate the Settlement Agreement.

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9 **Q. Does this conclude your testimony?**

10 A. Yes.

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BEFORE
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2014-346-WS

IN RE: Application of Daufuskie Island Utility)	
Company, Inc. for Approval of an Increase)	VERIFICATION OF
for Water and Sewer Rates, Terms and)	JOHN F. GUASTELLA
Conditions)	


PERSONALLY, appeared before me JOHN F. GUASTELLA who, being first duly sworn, deposes and says that he has reviewed and does verify the Settlement Testimony of John F. Guastella, which he caused to be prepared for the purpose of filing with the Public Service Commission of South Carolina ("the Commission") in support of Daufuskie Island Utility Company, Inc.'s request that the Commission approve the Settlement Agreement among and between Daufuskie Island Utility Company, Inc. ("DIUC"); the South Carolina Office of Regulatory Staff ("ORS"); and Haig Point Club and Community Association, Inc. ("HPCCA"), Melrose Property Owner's Association, Inc. ("MPOA"), and Bloody Point Property Owner's Association ("BPPOA") (collectively the "POAs" or "Intervenors").

FURTHER, Mr. Guastella affirms that the matters included in the Settlement Testimony of John F. Guastella are based upon his personal knowledge and are to the best of his knowledge true and accurate.


John F. Guastella

SWORN TO AND SUBSCRIBED BEFORE ME

This 19 day of Feb, 2021


Notary Public for Florida

My Commission Expires: 9-22-2024

Notary Public State of Florida
Robert Blauvelt
My Commission HH 036469
Expires 09/22/2024